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Date	7-22-04

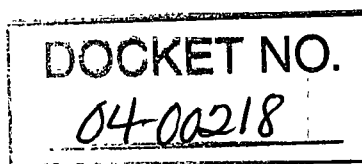
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July 21, 2004

Paul C. Besozzi  
202-457-5292  
pbesozzi@pattonboggs.com

**BY FEDERAL EXPRESS**

Mr. Pat Miller  
Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505



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20 JUL 22 AM 1:27  
P.A. DOCKET ROOM

Re: **Evercom Systems, Inc. – Application For Expedited Approval Of Indirect Transfer Of Control**

Dear Chairman Miller.

On behalf of Evercom Systems, Inc. ("ESI"), an authorized provider of inmate telephone services in the State of Tennessee (Case No 99-00502), and in accordance with Section 65-4-113 of the Tennessee Code, I hereby submit the enclosed Application (original plus 13 copies) seeking the Tennessee Regulatory Authority's expedited approval for the indirect transfer of control of ESI through the transfer of control of its indirect parent, Evercom Holdings, Inc., as described in the enclosed Application. Also enclosed is a check made payable to the Tennessee Regulatory Authority in the amount of \$25.00 to satisfy the requisite filing fee.

Please date-stamp the enclosed copy marked "Stamp-In" and return it to my attention in the self-addressed stamped envelope provided. Please contact me with any questions.

Very truly yours,

Paul C. Besozzi  
Counsel for Evercom Systems, Inc.

Enclosures

cc Jennifer P. Gaines, Esq.

BEFORE THE  
TENNESSEE REGULATORY AUTHORITY

**STAMP-IN**

I.R.A. DOCKET ROOM

Application of Evercom Systems,  
Inc., Evercom Holdings, Inc. and TZ  
Holdings, Inc. For Expedited  
Approval of the Indirect Transfer  
of Control of Evercom Systems, Inc.  
To TZ Holdings, Inc.

Case No. \_\_\_\_\_

I.R.A. DOCKET ROOM

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**APPLICATION**

Comes now Evercom Systems, Inc. ("ESI"), Evercom Holdings, Inc. ("EHI"), and TZ Holdings, Inc. ("TZ") acting through counsel and in accordance with Section 65-4-113 of the Tennessee Code, to request approval, on an expedited basis, of the indirect transfer of control of ESI through a merger transaction involving its current ultimate parent EHI and TZ as described below.

**I. BACKGROUND**

1. ESI is authorized by this Commission to provide inmate telephone services throughout the State. See Order dated August 10, 1999 in Case Number 99-00502. Pursuant to that authorization ESI is currently serving a number of confinement facilities throughout the State.

2. ESI is a privately-owned subsidiary of Evercom, Inc. ("EI"), which is a State of Delaware corporation. All of the EI stock is held by EHI, a Delaware corporation. EHI is privately owned, with its principal shareholders being private investment partnerships. Neither EI nor EHI are operational providers of telecommunications services. The

Commission previously approved this current ownership structure of ESI and its parent affiliates in Docket No. 02-1301, Order dated January 28, 2003.

3. TZ is a State of Delaware corporation, which is currently a majority-owned subsidiary of H.I.G.-TNetix, Inc., an affiliate of H.I.G. Capital, LLC ("HIG"), a Miami-based private equity firm.

## **II. DESCRIPTION OF THE PROPOSED TRANSACTION**

4. **General Description Of Merger Agreement** – EHI has entered into a merger agreement, dated July 10, 2004 with (a) TZ and (b) New Mustang Acquisition, Inc. ("Mustang"), another State of Delaware corporation which is a wholly-owned subsidiary of TZ. A detailed description of the terms of the Agreement are set out below, but upon the completion of the proposed transaction EHI will be a wholly-owned subsidiary of TZ.

5. **Details of Transaction** – The description of the merger below outlines the following:

- a. The current ownership structure of ESI and its affiliates.
- b. The acquiring entities involved in the merger.
- c. The merger process.
- d. The resulting ownership structure of ESI and its affiliates.
- e. Financing of the transaction.

a. **Current Ownership** – As noted previously, EHI is a Delaware corporation, which is the sole shareholder of EI, also a Delaware corporation. EI has three wholly-owned, direct subsidiaries that are all Delaware corporations – ESI, Everconnect, Inc. and FortuneLinx, Inc. ESI has no other affiliated entities. For purposes of this Application

only ESI is relevant because it is the entity authorized by this Commission to provide inmate telephone services and the only EHI-related entity providing those or any other telecommunications services in the State. **Attachment A** hereto shows the existing ownership structure of ESI.

b. **Acquiring Entities** – Under the terms of the proposed transaction, TZ will hold all of the stock of EHI. TZ is majority-owned by H.I.G.-TNetix, Inc., an affiliate of HIG, a Miami-based private equity firm. Investors in HIG include leading financial institutions, insurance companies, pension funds and university endowments. TZ is a holding company with no other operational purpose other than to hold ownership interests in various enterprises in which HIG has invested. Neither TZ nor HIG are direct providers of certificated telecommunications services.

c. **The Merger Process** – The proposed transfer will be accomplished through a merger process which will include the following steps:

(i) TZ has formed a wholly-owned subsidiary, Mustang, a Delaware corporation. Mustang was formed solely for the purpose of effecting the proposed merger and upon its completion will be merged out of existence.

(ii) Mustang shall merge with and into EHI in accordance with Delaware law, with the surviving corporation being EHI, which will operate under the Certificate of Incorporation and Bylaws previously adopted by Mustang.

(iii) As part of the merger of EHI into Mustang, all of the current stock and stock options of EHI shall be converted or retired by virtue of the merger. Such retirement or conversion will be accomplished through TZ's purchase, under the terms of

the Agreement, of the existing EHI stock or options from the current shareholders, and the former EHI treasury stock will be retired.

(iv) Simultaneous with the closing of the merger, certain former stockholders of EHI will acquire certain stock of TZ in an aggregate amount so that the ratio of TZ common stock owned by HIG (or its affiliates) to TZ common stock owned by such former EHI stockholders is no greater than 65:35 immediately after giving effect to the merger.

d. **The Resulting Ownership Structure** – Upon completion of the merger, the current existing, intercorporate relationships between ESI, EI and EHI shall remain totally unchanged. However, EHI will become a wholly-owned subsidiary of TZ, which will be majority controlled by H.I.G.-TNetix, Inc., an affiliate of HIG, a Miami-based private equity firm. **Attachment B** hereto shows the post-merger-closing ownership structure of ESI.

e. **Financing Of The Transaction** – The contemplated merger transactions will be financed through debt financing obtained by TZ as issuer/borrower, with ESI and the other affiliates of TZ providing both secured and unsecured guarantees of the debt issued by TZ. The funds raised through the issuance of TZ debt will be used to acquire the EHI stock, pay off all existing ESI indebtedness and for other legitimate corporate purposes.

6. **Transparency Of Transaction** – ESI shall remain a separately certificated entity through which the retail services shall continue to be provided. The transaction will be transparent to the customers of ESI. There will be no immediate changes in the terms and conditions of the services provided by ESI, pursuant to the applicable tariffs or price lists that ESI currently has on file as approved by the Commission. ESI will continue to

market, brand and bill its services as it has been doing. There are no current definitive plans to change the management structure of ESI.

### **III. CONTACT FOR APPLICATION**

7. The contact person for any questions regarding this Application shall be Paul C. Besozzi of the law firm of Patton Boggs LLP, 2550 M Street, N.W., Washington, D.C, 20037, Telephone Number: 202-457-5292, Facsimile Number: 202-457-6315, Electronic Mail Address: pbesozzi@pattonboggs.com.

### **IV. PUBLIC INTEREST REASONS FOR GRANT**

8. This transaction is non-controversial and will be transparent and seamless to all customers of ESI. There will be no changes in rates, terms or conditions of ESI's services as part or as a result of this transaction; those services will continue on their current basis. In addition, the management and relevant contact information for ESI will remain the same as the Commission's records currently reflect.

9. This transaction will provide ESI with potential access to the substantial financial assets of TZ and HIG. In addition, under the financing of the transaction, it will reduce eliminate the secured borrowings of ESI itself. The completion of the transaction will help ESI to continue to provide services to its customers and potentially expand or enhance those services at new facilities in the State. As indicated above, the Commission has previously approved an analogous parent-level transaction involving ESI, concluding that it was in the public interest. The Commission should reach the same conclusion in this case.

## **V. REQUEST FOR EXPEDITED TREATMENT**

10. ESI, EHI and TZ are requesting expedited approval of this Application. As noted above, it is non-controversial and transparent to ESI's customers. For the other reasons outlined above it is in the public interest. The parties seek to consummate this transaction as soon as possible, but in any case not later than mid-September, 2004. Therefore, ESI, EHI and TZ respectfully request expedited action to ensure that this time frame can be met.

**WHEREFORE**, ESI, EHI and TZ respectfully request that the Commission approve this Application on an expedited basis so that the parties may consummate the contemplated transactions as soon as possible.

Respectfully submitted

**EVERCOM SYSTEMS, INC.,  
EVERCOM HOLDINGS, INC. and  
TZ HOLDINGS, INC.**

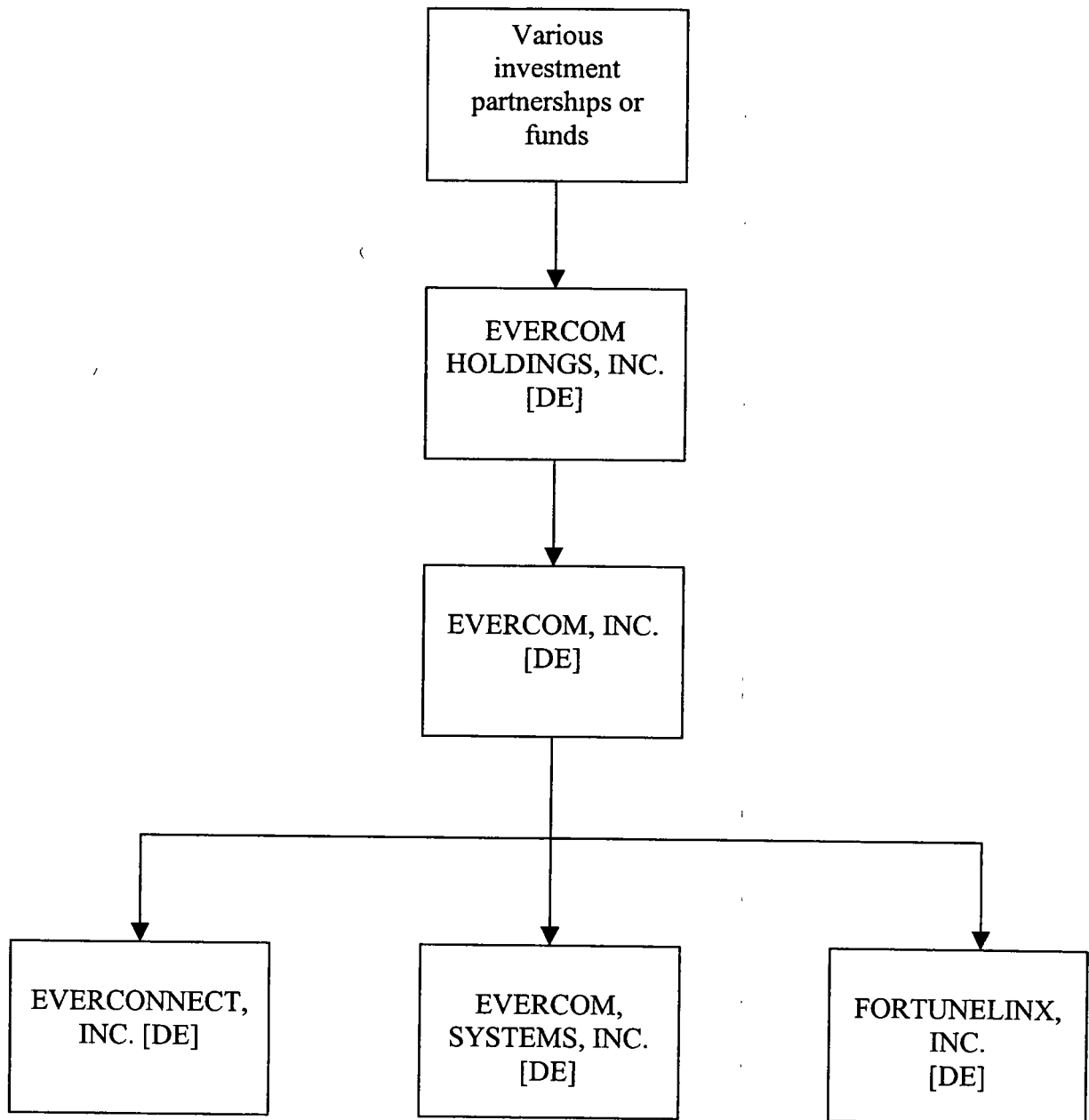
By: 

Paul C. Besozzi  
Patton Boggs LLP  
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Washington, D.C. 20037  
(202) 457-5292 (Telephone)  
(202) 457-6315 (Facsimile)  
Email Address: pbesozzi@pattonboggs.com

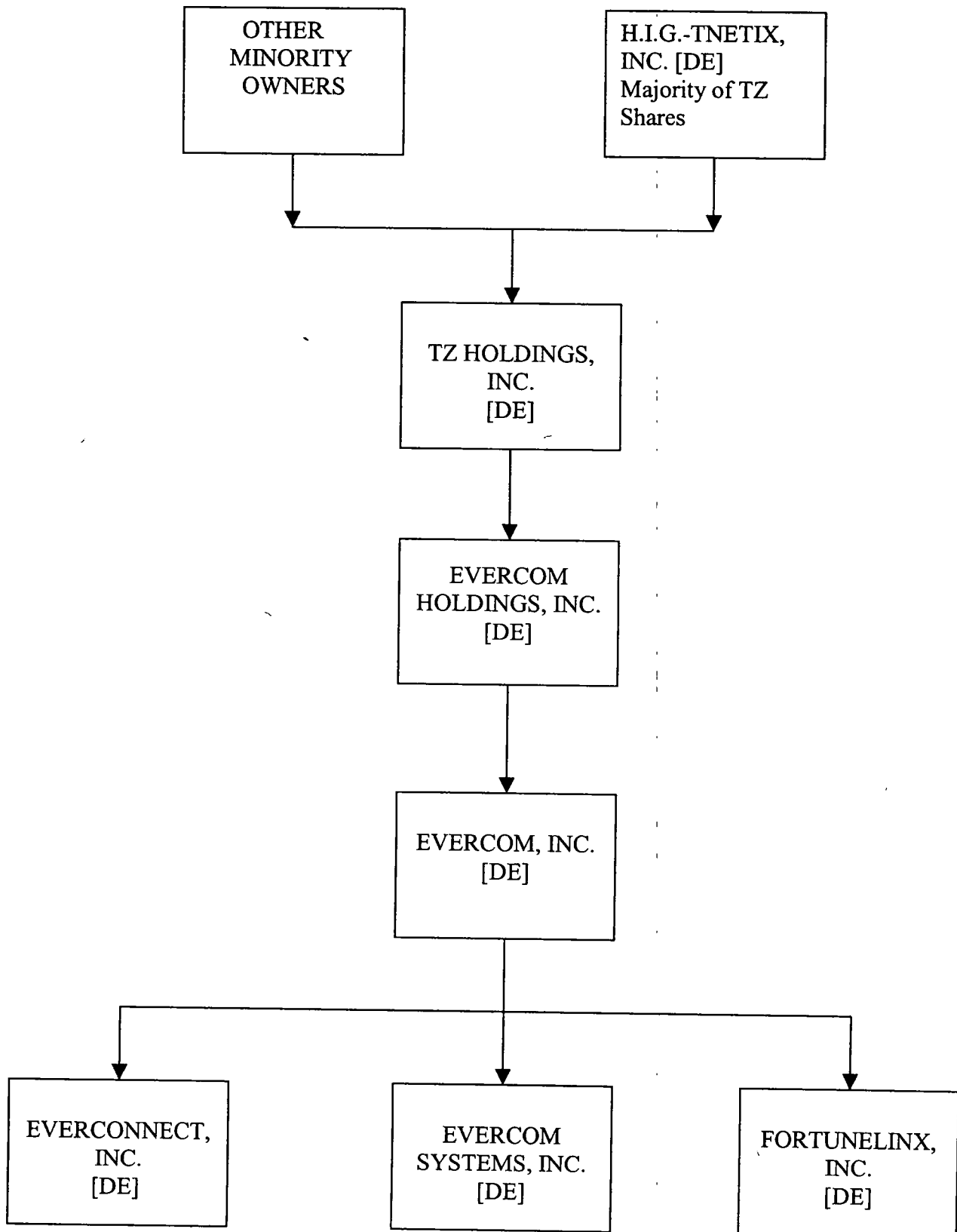
Dated: 7-21-04

**ATTACHMENT A**





**ATTACHMENT B**



**VERIFICATION**

I, Jennifer P. Gaines, am the Secretary of Evercom Holdings Inc.  
The foregoing Application has been prepared pursuant to my direction and control and I  
have reviewed its contents. The factual statements and representations made therein by  
and concerning Evercom Systems, Inc. and Evercom Holdings, Inc. and the transactions  
described therein are true and correct to the best of my knowledge and belief.

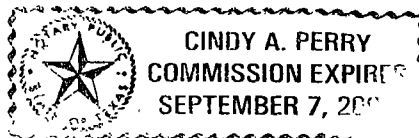
J.P. Gaines  
Name: Jennifer Pinckley Gaines  
Title: Secretary

County of Dallas )  
State of Texas )

Subscribed and sworn to before me by Jennifer P. Gaines this 20th day of  
July, 2004.

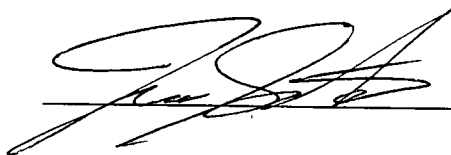
Cindy A. Perry  
Notary Public

My Commission Expires: 9-7-2005



**VERIFICATION**

I, Lewis Schoenwetter, am the Secretary of TZ Holdings, Inc  
The factual statements and representations made in the foregoing Application by and  
concerning TZ Holdings, Inc and the transactions described therein are true and correct  
to the best of my knowledge and belief.

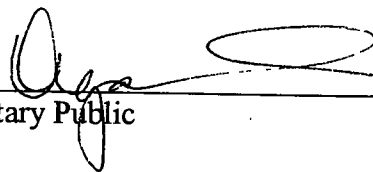


Name: Lewis Schoenwetter

Title: Secretary

County of Miami-Dade  
State of Florida )

Subscribed and sworn to before me by Mr. Schoenwetter this 15<sup>th</sup> day of  
July, 2004.

  
Notary Public

My Commission Expires \_\_\_\_\_



Olga Andreu  
MY COMMISSION # DD141596 EXPIRES  
August 16, 2006  
BONDED THRU TROY FAIN INSURANCE, INC.